

MEMORANDUM



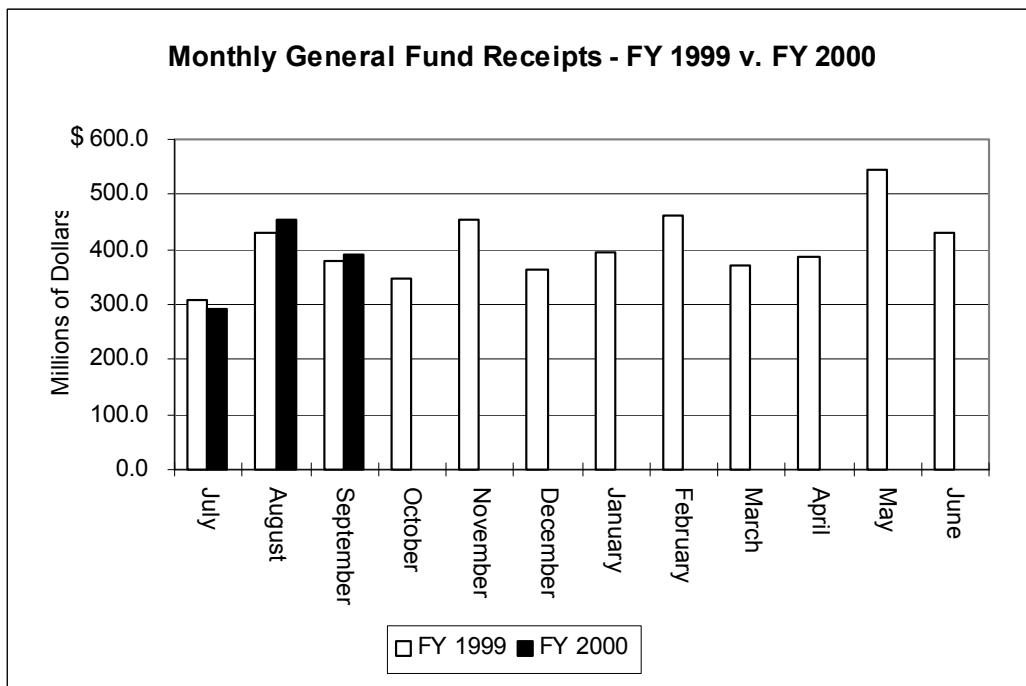
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: October 1, 1999

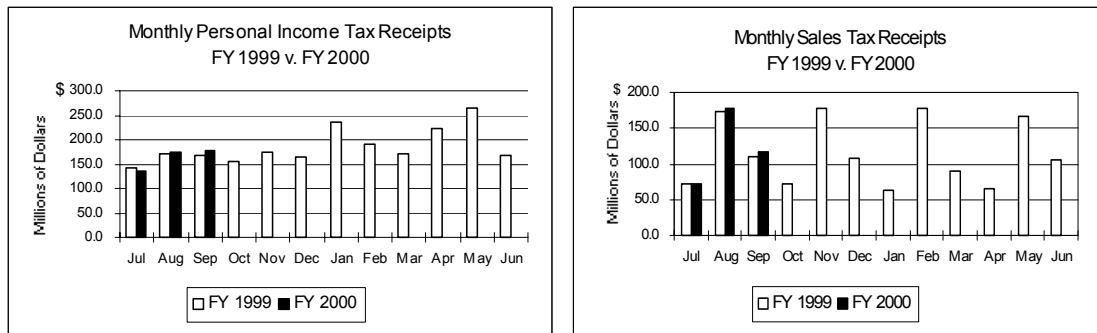
General Fund Receipts Through September 30, 1999

The attached spreadsheet represents total FY 2000 General Fund receipts, with comparable figures for actual FY 1999. These can be compared to the latest FY 2000 estimate (\$5.082 billion) set by the Revenue Estimating Conference (REC) on August 12, 1999. The estimate represents an increase of \$202.1 million (4.1%) compared to FY 1999. The next meeting of the REC is scheduled for October 18, 1999.



FY 2000 Compared to FY 1999

Year-to-date FY 2000 revenue growth increased by \$16.5 million (1.5%) compared to FY 1999. This is below the REC estimate of 4.1% for FY 2000. Total September 1999 revenues increased \$10.5 million (2.8%) compared to September 1998.



Gross personal income tax revenues received in September were \$9.1 million (5.4%) more than September 1998. Year-to-date growth in personal income tax is \$5.1 million (1.1%) more than FY 1999.

Withholding receipts moderated in September, increasing by 2.4% compared to September 1998. Year-to-date growth in personal income tax withholding receipts is \$17.7 million (4.4%) more than FY 1999.

Estimate payments increased in September, posting a gain of \$4.2 million (11.2%) compared to September 1998. Year-to-date growth in personal income tax estimate payments is \$14.6 million (18.3%) less than FY 1999. July and October 1998 estimate payments were very strong, but moderated through the remaining months of FY 1999. Year-to-date experience indicates that FY 2000 estimate payments will more closely follow the lower level of the second half of FY 1999.

The REC FY 2000 income tax estimate of \$2.364 billion represents a projected increase of 5.8% compared to actual FY 1999.

Sales tax receipts in September were \$6.2 million (5.6%) more than September 1998. Growth in FY 2000 sales tax stands at \$10.9 million (3.1%) compared to FY 1999, and has seen slow, but steady improvement during the last two months. The timing factors from the change in payment of the local option sales tax which have skewed the comparison of FY 1998 and FY 1999 sales tax receipts percentage growth figures will not affect FY 2000. Growth figures for FY 2000 should be directly comparable without adjustment to FY 1999.

The REC estimate for FY 2000 sales tax receipts is \$1.448 billion, an increase of 5.1% compared to actual FY 1999.

Corporate income tax receipts in September were \$2.2 million (8.5%) less than September 1998.

Estimate payments were the primary cause of the loss for September. Estimate payments received in September were \$2.3 million (8.0%) less than September 1998. Growth in FY 2000 corporate income tax estimate payments are \$2.2 million (3.9%) below the FY 1999 level.

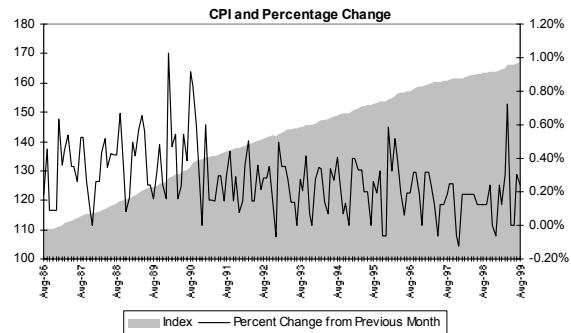
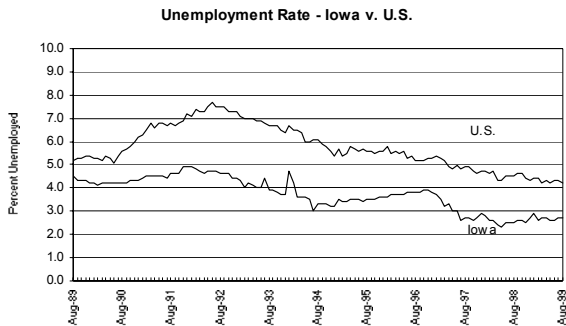
The REC projected FY 1999 corporate income tax receipts would total \$316.1 million, a decrease of 1.8% compared to actual FY 1999.

Racing and gaming receipts to the General Fund in September increased \$1.9 million (9.3%). All racing and gaming receipts in excess of \$60.0 million are deposited in the Rebuild Iowa Infrastructure Fund. As a result, activity in these accounts has little direct impact on the General Fund. The REC estimated that \$110.4 million from this source would be deposited to the Infrastructure Account in FY 2000.

Status of the Economy

The seasonally adjusted percent unemployed for the State in August remained unchanged from July's rate of 2.7%. The unemployment rate a year ago was 2.5%. Iowa's total August employment registered 1,553,300, down from July's level of 1,554,600. The number of unemployed persons in Iowa stood at 43,700 in August, which is up from July's level of 42,800. The U.S. unemployment rate fell from 4.3% in July to 4.2% in August.

Consumer prices in August rose by 0.2% from July's level. The Consumer Price Index (CPI-U) through August 1999 was 167.1 (1983=100), which is 2.3% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through August 1999.



Information related to State General Fund receipts is available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616) or Larry Sigel (515-281-4611).

GENERAL FUND RECEIPTS - FY 2000 vs. FY 1999					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars		
July 1, 1999, through September 30, 1999, in millions of dollars					FY 99 Actual Compared to FY 00 REC Estimate		
	FY 1999	FY 2000	Year to Date % CHANGE	September % CHANGE	Actual FY 1999	Estimate FY 2000	% CHANGE
Personal Income Tax	\$ 482.0	\$ 487.1	1.1%	5.4%	\$ 2,233.7	\$ 2,363.7	5.8%
Sales Tax	355.1	366.0	3.1%	5.6%	1,377.5	1,448.3	5.1%
Use Tax	62.7	60.0	-4.3%	-24.1%	242.7	256.3	5.6%
Corporate Income Tax	57.1	54.9	-3.9%	-8.5%	321.8	316.1	-1.8%
Inheritance Tax	25.3	23.9	-5.5%	7.5%	90.1	96.2	6.8%
Insurance Premium Tax	0.4	0.1	-75.0%	n/a	114.3	115.4	1.0%
Cigarette Tax	24.1	23.9	-0.8%	-13.1%	92.3	88.1	-4.6%
Tobacco Tax	1.8	1.8	0.0%	-14.3%	6.5	6.8	4.6%
Beer Tax	3.7	3.9	5.4%	8.3%	13.1	13.1	0.0%
Franchise Tax	8.4	7.4	-11.9%	-7.1%	33.8	32.9	-2.7%
Miscellaneous Tax	5.5	1.4	-74.5%	-88.9%	1.1	1.1	0.0%
Total Special Taxes	\$ 1,026.2	\$ 1,030.4	0.4%	1.4%	\$ 4,526.9	\$ 4,738.0	4.7%
Institutional Payments	15.5	12.9	-16.8%	-24.3%	49.7	49.8	0.2%
Liquor Transfers:							
Profits	6.0	6.5	8.3%	20.0%	32.3	32.3	0.0%
7% Gross Revenue	2.3	2.3	0.0%	0.0%	9.0	9.0	0.0%
Interest	2.2	2.8	27.3%	180.0%	34.1	21.4	-37.2%
Fees	15.3	17.5	14.4%	0.0%	58.3	60.2	3.3%
Judicial Revenue	6.8	7.8	14.7%	28.6%	48.3	52.6	8.9%
Miscellaneous Receipts	13.1	19.2	46.6%	84.1%	61.3	58.7	-4.2%
Racing and Gaming Receipt	31.9	36.4	14.1%	9.3%	60.0	60.0	0.0%
TOTAL RECEIPTS	\$ 1,119.3	\$ 1,135.8	1.5%	2.8%	\$ 4,879.9	\$ 5,082.0	4.1%